



華夏海灣塑膠股份有限公司 China General Plastics Corp.

Investor Conference

3/28/2019

時間 Time	議 程 Itinerary	報告人 Reporter
14:00~ 14:30	貴賓報到 VIP Registration	
14:30~ 15:00	2018年回顧及2019年展望 2018 Review & 2019 Outlook	胡吉宏 副總經理 Otto Hu, VP
	公司2018年財務資訊 2018 Finance Information	郭建洲 經理 C C Kuo, Manager
15:00~ 15:30	Q & A	林漢福 總經理 H F Lin, President



China General Plastics Corp. 2018 Review & 2019 Outlook

**By Otto Hu, Vice President
March 28, 2019**

2018 Review: Ethylene & EDC

- ◆ **Ethylene price was stable high in the first quarter due to tight supply majorly in T/A seasons. As the trade war impacted, ethylene price started dropping in Q4 and reached \$1,000 below CFR NEA.**
- ◆ **US EDC was purchased to replenish the shortages in Brazil and Europe, the EDC production decreased for cold weather in North America. The EDC supply was no more long in 2018 and pushed price high also in Asia till year end.**

2018 Review: PVC

- ◆ **PVC supply was tight in H1 due to cold weather and T/A in US and severe safety & environment check executed in China. Fortunately the PVC demand had been improving by stable new GST regulation and infrastructure activities in India. Bangladesh is another key market with demand increase.**
- ◆ **PVC demand dropped since H2 mainly due to trade war, sanction on Iran and currency devaluation in remote countries. PVC demand recovered in India after monsoon and influenced to other markets. However, the overall market situation was no more good as H1.**

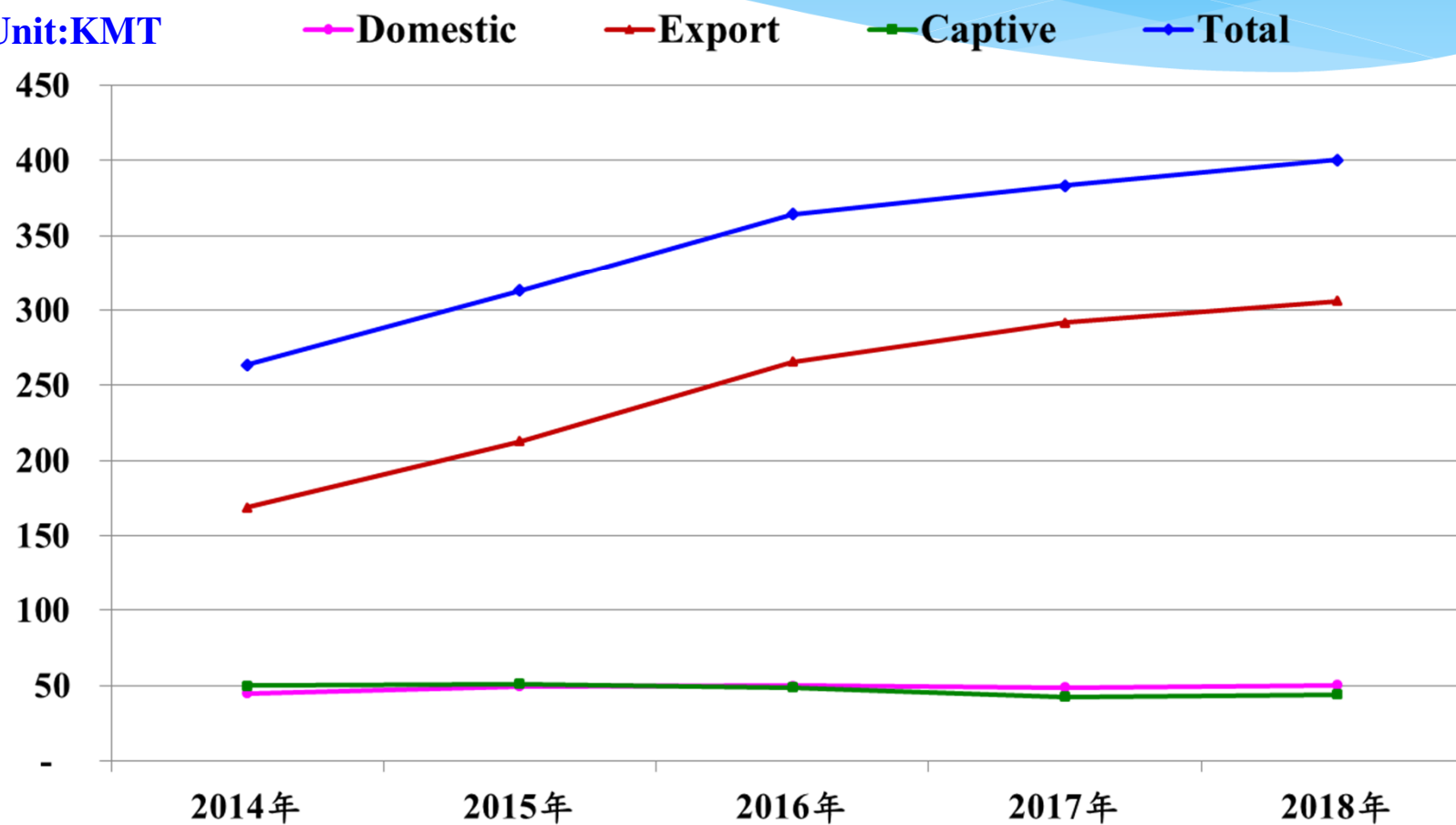
2018 Review: Consolidated Sales

- ◆ 2018 consolidated sales revenue was NT\$1.51B, which increased by NT\$491.
- ◆ Sales Quantity (KMT):

	2018	2017	Growth
VCM	49	46	3
PVC	357	341	16
PVC products	70	71	(1)
Alkaline	63	59	4
Total	539	517	22

PVC Sales Mix

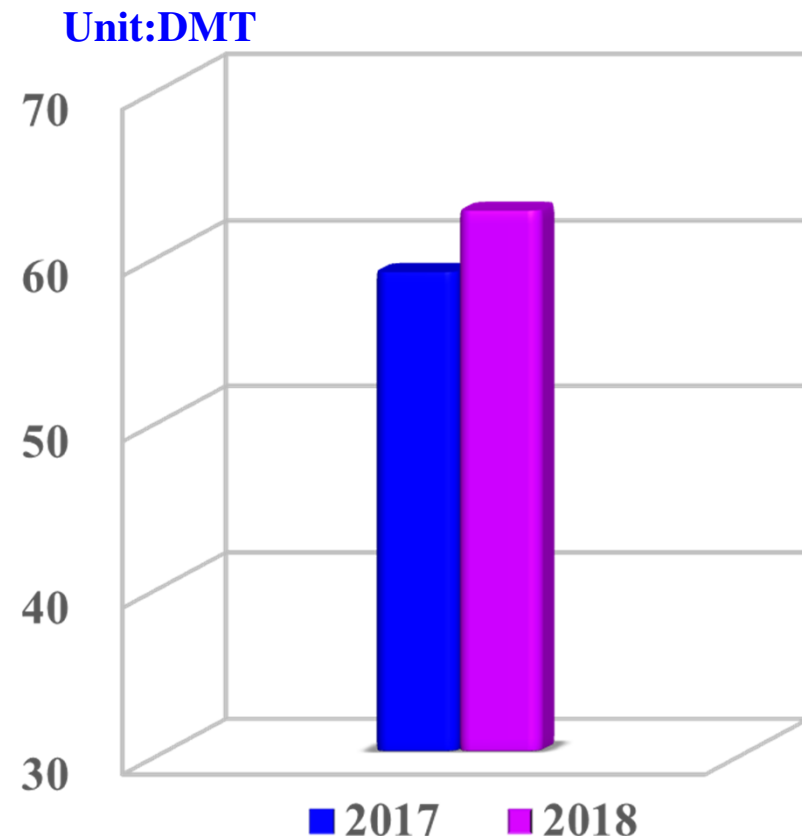
Unit:KMT



2018 Review: Alkaline

- ◆ **2018 domestic consumption was good even though caustic soda price much dropped in NEA. CGPC business was well supported by local electronic and chemical industries and hit record high.**

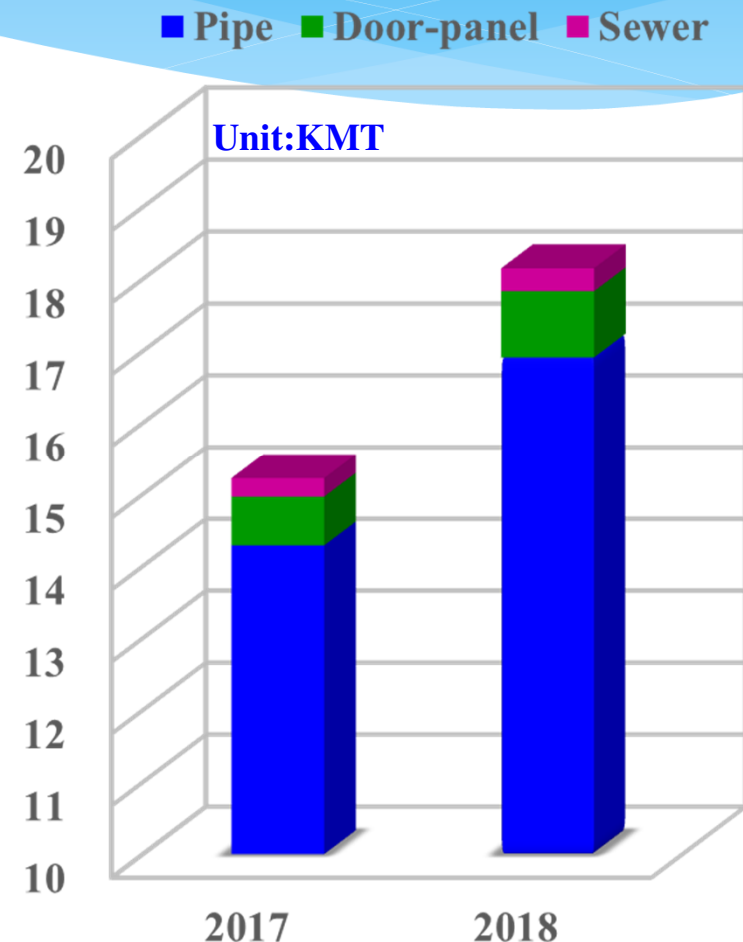
Alkaline Sales



2018 Review:

Construction Products

- ◆ Pipe sales volume was 18% increase YoY. The major purposes are for infrastructure in new city, waste water drainage and pipe lines of running water.
- ◆ The door panel sales was 35% increase YoY, which was supported by foam board and wooden grain well developed.



2018 Review:

Energy Saving & Carbon Emission Reduction

Unit	Items/facility improved	Result
CGPC	Dryer for PVC plant	Electricity saving: 444,990Kwh/year
	Pipe line enlarge for cooling water (from 24''to 32'')	Electricity saving: 513,248Kwh/year
	Concentration unit in IEM plant	Steam saving: 14,322 MT/year
CGPC CGPC-P	Waste water recycling facility (HBF)	Water saving: CGPC 144,000MT/Yr CGPC-P 400,000MT/Yr
TVCM	Special coating for impeller and shell in cooling water pump	Electricity saving: 696, 000Kwh/year

2018 Review: Training

- CGPC started TTQS training system offered by the Government in 2012 for quality control.
- CGPC was awarded prize by Ministry of Labor for good performance of maintaining on TTQS system.
- CGPC training activities in e-book type about TTQS have been posted in the website of Ministry of Labor since early 2019.



107年度
企業人力資源提升計畫
暨充電起飛計畫、
小型企業人力提升計畫
成功案例電子書

2018 Review: Public Welfare Activity

Activity	Frequency	Times	Man-power	Hour	NT\$000
Donation to USI education foundation	Mar.	1			1,500
Street cleaning	Every 3 month	3	60	9	10
Road lamp and park maintenance	Full time	1			200
Wet land maintenance	Full time	1			100
Donation to agriculture exp.	Full time	1			200
Donation to athletic meet	Full time	1			200
Beach cleaning	Sept.	1	130	3	150
Donation to poor family	Usually	10			150

2019 Outlook: Ethylene

- ◆ **Asian Ethylene supply in Q1 is tight for T/A and unexpected shut down. On the other hand, the ethylene trading is slow because of high inventories in downstream of SM, MEG and PTA. The market price has fluctuated in Q1. However, the demand is not strong as last year.**
- ◆ **PE and MEG supported by low cost of US ethylene are shipping from US to Asia. The Asian producers of PE and MEG are reducing the operation because of narrow profit margin. Ethylene demand is expected decrease in the long term.**

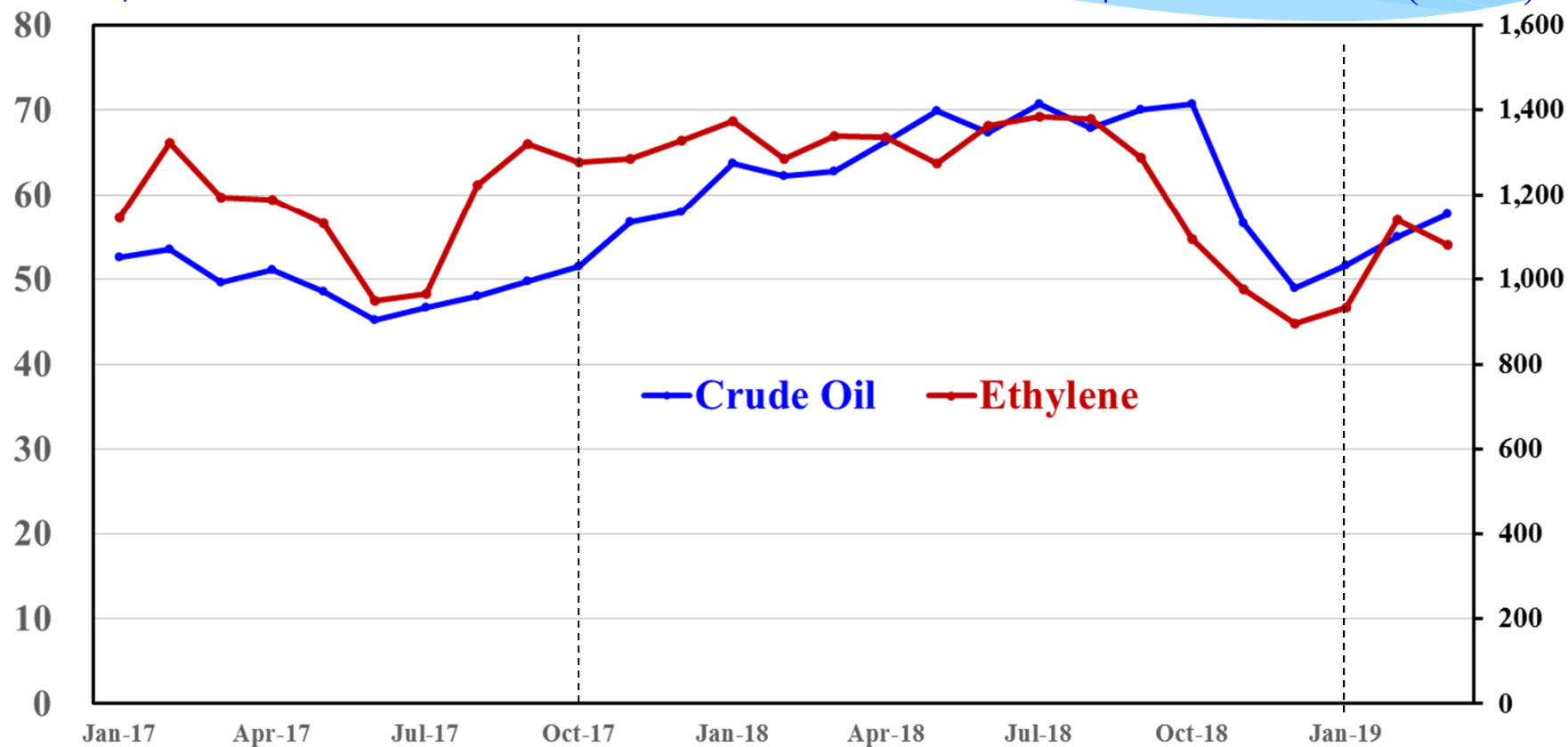
2019 Outlook: EDC

- ◆ **US chlor alkali less operation led EDC tight supply in Q1 because of T/A and less caustic soda purchase from Alunorte Brazil. The US local strong demand and export to Europe made the EDC shipment to Asia was limited. In Asia the import license requested by India limited caustic soda imports to India and made EDC output short. However, the issue will be over soon. And the EDC price is expected to turn down soon as well.**
- ◆ **The T/A delay in Middle East and normal running in FPC will make EDC supply long. US EDC is expected at high running rate after Alunorte problem solved. Global EDC supply will ease in Q2 and push price down.**

Crude Oil & Ethylene Monthly Ave. Prices

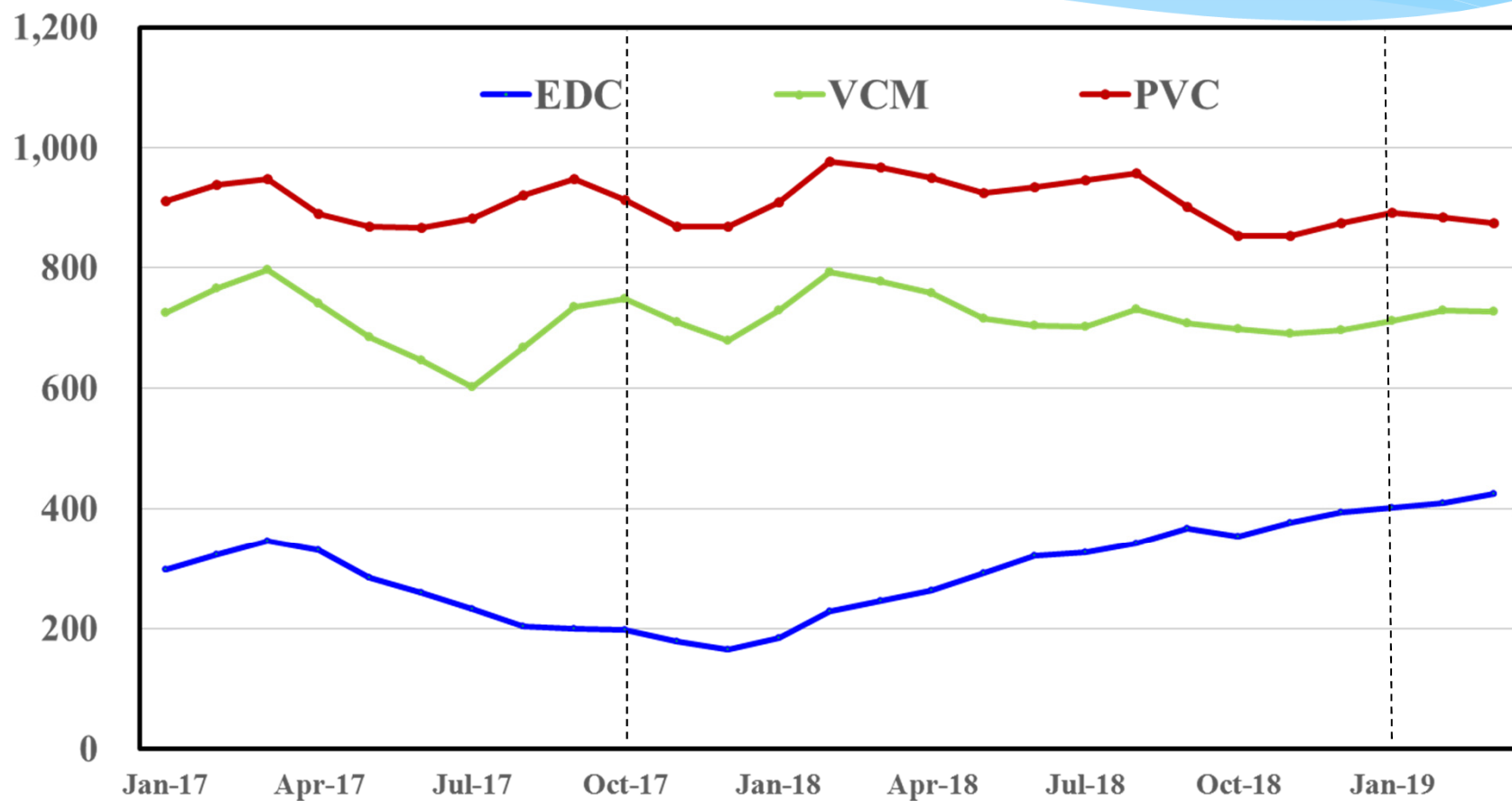
Unit:\$/bbl WTI

Unit: US\$/MT CFR NEA (Platts)



PVC/VCM/EDC Monthly Avg. Prices (Platts)

Unit: US\$/MT CFR CMP(Platts)



2019 Outlook: PVC (I)

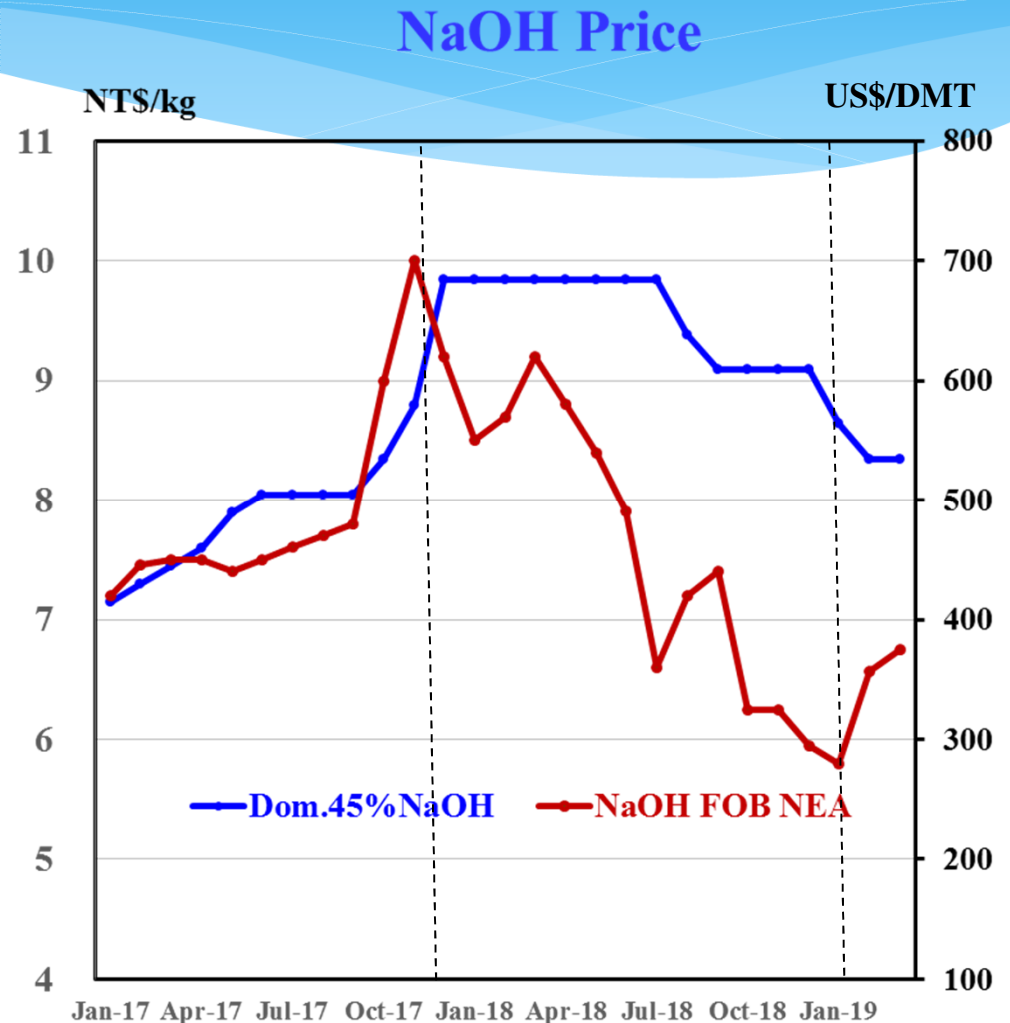
- ◆ **Chinese PVC import decreased by 5% and export decreased by 30% in 2018. As operating rate is not high, the overall PVC inventory is expected normal. Severe environment request, safety check , and high cost of carbide will limit the production and maintain the PVC market price.**
- ◆ **2018 PVC import in India is more than 10% increase YoY. The 2019 GDP growth is expected good and better than other big PVC markets. After the election and PVC anti-dumping sunset review, the PVC demand is expected improving.**

2019 Outlook: PVC (II)

- ◆ **The 2019 GDP growth for SEA countries forecasted by IHS Markit is 3~6%. Vietnam, Philippines and Indonesia are the better ones. PVC consumption is expected optimistic in this area. Some down stream PVC processers are moving from China to Vietnam and Thailand due to trade war. This is the trend for good future in SEA.**
- ◆ **PVC demand in Bangladesh and Myanmar was 10% more increase in past every year. Bangladesh forecasted by UN with 7% of GDP growth for 2019 is especially a large and potential market for Asian PVC producers.**

2019 Outlook: Alkaline

- ◆ Owing to caustic soda demand improved and import license agreed in India, the market price has been picking up from \$280 to \$370 FOB NEA. Taiwan domestic demand and price in alkaline products are expected better as well in 2019.



2019 Outlook: PVC Products

- ◆ **The new housing promotion planning for 329 in North Taiwan increases by 6% YOY. The overall new housing programs forecasted by government and private departments are improving as well. CGPC construction business is expected improving again.**
- ◆ **PVC film and leather business had dropped since H2 2018 due to trade war. The negotiation between US and China seems to end with good result. The demand for automotive, furniture, building, shoes, and sporting items are looking good. The situation is expected better in Q2.**



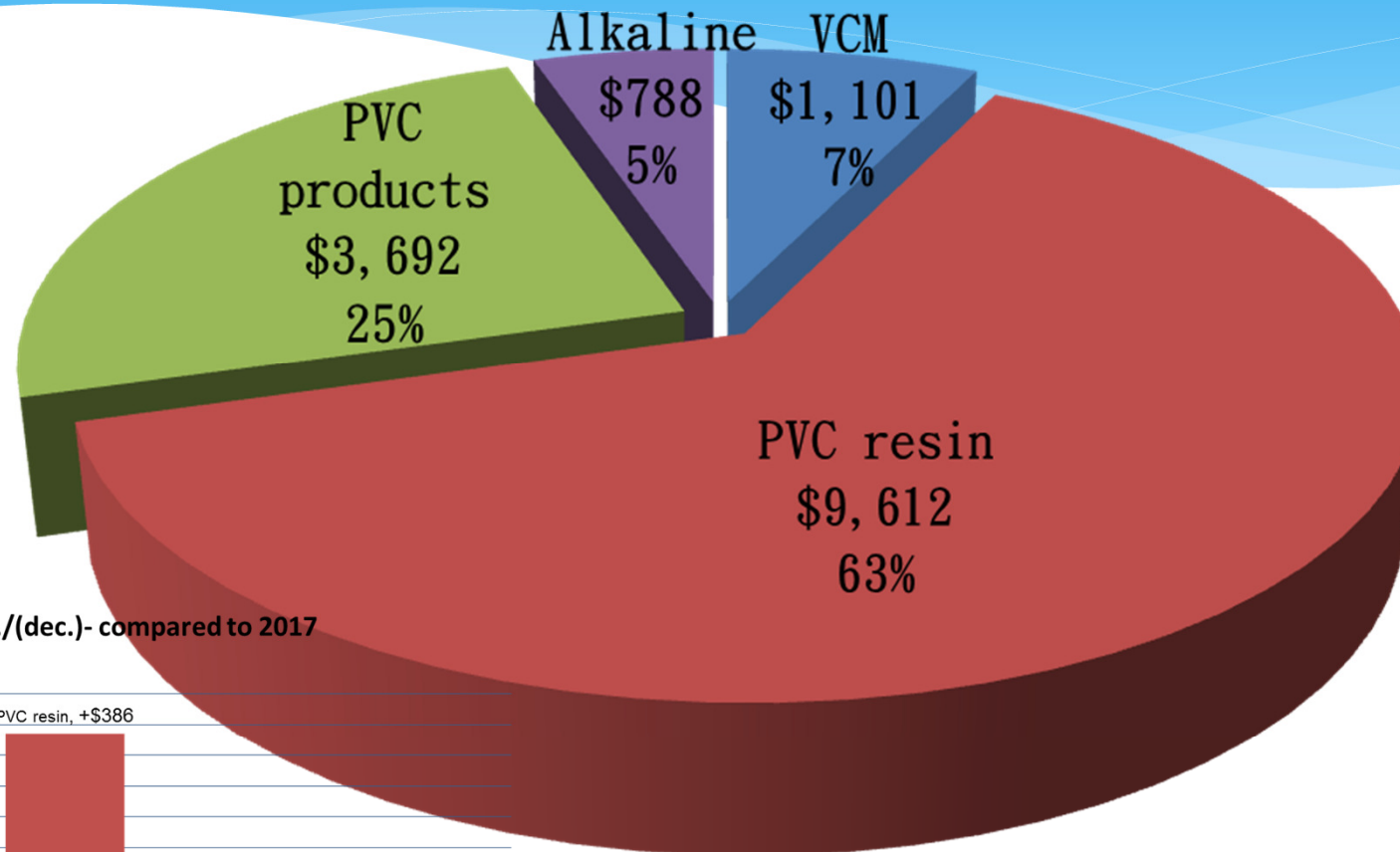
China General Plastics Corporation and Subsidiaries

Finance information

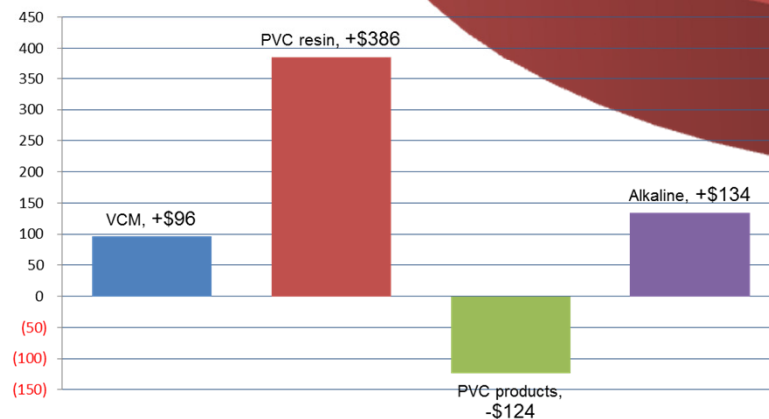
Reporter : C.C.Kuo Manager

Date : 2019, Mar. 28

2018 Sales by product (NT\$million)



2018 FY Inc./ (dec.)- compared to 2017



China General Plastics Corporation and Subsidiaries

Consolidated Statements of Income

(In millions of NTD, except per share data)

		2018 FY	2017 FY	YoY%	2016 FY	2015 FY
Sales		15,193	14,702	3.3%	14,157	13,842
Cost of goods sold		12,490	11,925	4.7%	11,217	11,894
Gross profit		2,703	2,777	-2.7%	2,940	1,948
gross profit ratio		18%	19%		21%	14%
Operating expenses		1,130	1,126	0.3%	1,066	1,032
Operating income		1,573	1,651	-4.7%	1,874	916
operating income ratio		10%	11%		13%	7%
Non-operating income(loss) *		89	(37)	-341.3%	(52)	7
Income before income taxes		1,662	1,614	3.0%	1,823	923
Income taxes		306	275	11.3%	280	111
Net income		1,356	1,339	1.3%	1,543	812
net income ratio		9%	9%		11%	6%
Net income attributable to						
- China General Plastics Corporation		1,276	1,270	0.5%	1,443	768
- noncontrolling interest		80	45	78.3%	100	45
Earnings per share		2.52	2.58	-2.4%	3.02	1.64
	adjusted		2.51		2.85	1.51

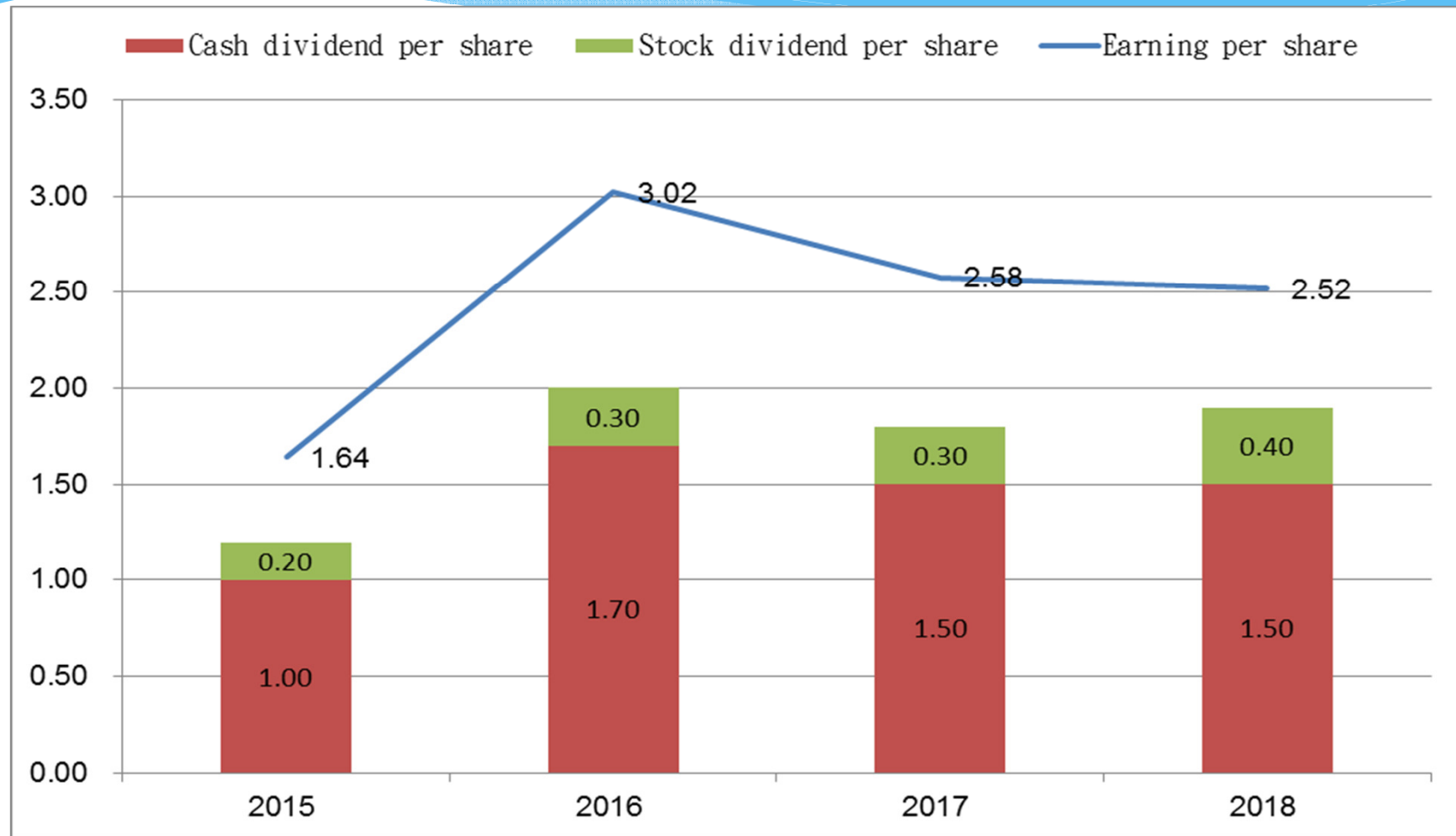
*note:Non-operating income(loss) included discontinued operations income(loss)

China General Plastics Corporation and Subsidiaries

Financial ratio analysis

	2018 FY	2017 FY	2016 FY	2015 FY
Operating income margin(%)	10.4	11.2	13.2	6.6
Net income margin(%)	8.9	9.1	10.9	5.9
Debt ratio(%)	33	35	42	45
Current ratio(%)	300	336	290	245
Quick ratio(%)	215	229	218	172
Accounts receivable turnover	42	39	36	35
Inventory turnover days	52	55	58	60

EPS vs DPS



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- ◆ **The information in this presentation is not for investment advices.**



Thank You





Q & A

